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## **New challenges for working conditions in European public services**

*A comparative case study of global restructuring and customization*

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# The New Challenges to Individual Working Conditions in European Public Services: A Comparative Study of Global Restructuring and Customization

Peter Hasle, Pernille Hohnen, Hans Torvatn, Daniele Di Nunzio\*

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## 1. The Impact of Globalisation on European Public Services: Some Introductory Remarks

Over the past three decades, advanced capitalist countries have experienced profound economic and social changes, the result of economic globalization and technological development<sup>1</sup>. Many authors have pointed out the increasing distance between economic activities organized on a global scale, and political and social institutions that operate on a more limited scope (local, national or macro-regional)<sup>2</sup>. At

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<sup>1</sup> Castells, M. *The Information Age: Economy, Society and Culture*, Bd. 1: *The Rise of the Network Society*, Malden, 1996. Burawoy, M. *Introduction. Reaching for the Global, Global Ethnography – Forces, Connections, and Imaginations in a Postmodern World*, Berkeley, California University Press, 2000, 1-40. Giddens, A. *Runaway World: How Globalization is Reshaping Our Lives*. London, Profile, 1999. Roland, G. *Privatization: successes and failures*. New York, Columbia University Press, 2008. Bortolotti, B. & V. Milella. *Privatization in Western Europe: Stylized Facts, Outcomes and Open Issues*. G. Roland (ed): *Privatization: Successes and failures*. 2008, 32-75.

<sup>2</sup> Beck, U. *The Cosmopolitan Vision*. Cambridge: Polity Press, 2006. Castells, M., 1999, *op. cit.* Giddens, A. *Europe in the Global Age*. Cambridge, Polity Press, 2007. Sassen S. *A Sociology of Globalization*, New York: WW Norton, 2007. Touraine, A. *Une nouveau paradigme. Pour comprendre le monde d'aujourd'hui*, Paris: Fayard, 2005.

present, globalization itself can be considered as a form of capitalism where the economy is governed by impersonal market drivers rather than by political and social choices, with many individuals who feel they have lost control on their lives as well as of the processes of collective organization<sup>3</sup>. Global processes of marketization – alongside the increased fragmentation and regulation vacuum – are transmitted to public services with serious effects for public authority and public responsibility<sup>4</sup>.

One consequence of this state of play is higher flexibility in the production of goods and services, mainly due to the need for firms to adjust to increasing global competitiveness, the changing needs of consumers, and the recourse to new technology, altogether resulting in a preference for ‘on demand’ and ‘just in time’ work processes. Accordingly, the organization of work is increasingly oriented towards lean production, where flexibility and outsourcing are constitutive of a new modular business model organized as a network of different companies. The new model reshapes the boundaries between institutions and increases the centralization of power while de-centralising risks<sup>5</sup>.

Research into the impact of globalization on European labour markets has prioritised the outsourcing of jobs to low-wage countries. The initial focus was on production jobs, yet recently service jobs have also been analysed in the context of globalization – for example, the relocation of front office work such as call centres, as well as knowledge work such as IT development<sup>6</sup>. However, globalization has also had an effect on the core activities, which have remained behind, with new technologies and

<sup>3</sup> Touraine 2005, *op. cit.*

<sup>4</sup> Clarke, J. Public Management or Managing the Public? The Frank Stacey Memorial Lecture 2009, Presented at the Public Administration Committee Conference, University of Glamorgan, 8 September 2009, *Public Policy and Administration* 25, 4, 2010, 416–433.

<sup>5</sup> Castells, 1996, *op. cit.* Sennett R. *The Corrosion of Character. The Personal Consequences of Work in the New Capitalism*, London, UK, W. W. Norton & Company, 1998. Beck U., Giddens A., Lash S. *Reflexive modernization: Politics, Tradition and Aesthetics in the Modern Social Order*, Cambridge, Polity Press, 1994.

<sup>6</sup> Huws, U. Fixed, Footloose or Fractured: Work, Identity and the Spatial Division of Labour. *Monthly Review*, 57(10), 2006. Flecker, J., Holtgrewe, U. *Restructuring Across Value Chains – Changes in Work and Employment. Case Study Evidence from the Clothing, Food, IT and Public Sector*, Deliverable 10.1, WP 10 Organisational Case Studies – Synthesis Report, 2007. <http://www.worksproject.be/documents/D10.1.pdf>. Batt, R., Holman, D., Holtgrewe, U. The Globalization of Service Work: Comparative Institutional Perspectives on Call Centers; Introduction to the ILRR special issue; *Industrial & Labor Relations Review* 62, 4, 2009, 453–488.



working processes being developed in response to intensifying global competition<sup>7</sup>.

Even though organizational changes in the public sector are mostly played out within national borders, the question in this paper is to examine how public services are likewise subject to processes of large scale reorganization prompted by globalization, which directly and indirectly renew pressure on individuals' working conditions and working life<sup>8</sup>. The influence of globalization on public services is here understood as arising from new forms of global competition between national models and institutions promoting an innovative modular organization of public services through the restructuring of value chains (outsourcing, subcontracting or internal externalization) as well as an increasing national acknowledgment of the prevalence of global competition<sup>9</sup>.

At the core of the present investigation are the impacts of global restructuring in the public services on people's working life and conditions in Europe. The article draws on the results of the WORKS European research project<sup>10</sup>. The survey analyses the relationship between global processes of change and changes in one's working life and working conditions at the workplace. In both private and public companies activities are viewed as links within value chains, so that the tasks distributed on different units contribute to specific tangible or intangible services. Globalization within public service can be seen as closely linked to the specific fragmentation processes taking place in connection with the establishment of new public companies and the impacts on one's

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<sup>7</sup> Flecker, J., Meil, P. 'Organisational Restructuring and Emerging Service Value Chains – Implications for Work and Employment'; in: *Work, Employment and Society*, 24 (4), 2010, 1 – 19. Di Nunzio, D., Hohnen, P., Hasle, P., Torvatn, H., Øyum, L. *Impact of Restructuring on Health and Safety and Quality of Work Life. Psychosocial Risks*, Works Project, Leuven, HIVA [http://www.worksproject.be/Works\\_pdf/WP12/D12.10%20Thematic%20Report\\_HealthSafety.pdf](http://www.worksproject.be/Works_pdf/WP12/D12.10%20Thematic%20Report_HealthSafety.pdf), 2009.

<sup>8</sup> Huws, U. *The Globalisation Glossary: a Researcher's Guide to Understanding Work Organisation Restructuring in a Knowledge-based Society*, Works Project, Higher Institute of Labour Studies, K.U.Leuven, 2008.

<sup>9</sup> Pedersen, O.K. *Institutional Competitiveness: How Nations Came to Compete* in Morgan, G., Campbell, J. L.; Crouch, C., Pedersen, O. K., & Whitley, R. (eds.). *The Oxford Handbook of Comparative Institutional Analysis*. Oxford: Oxford University Press, 2010a, 625-58. Pedersen, O.K. *The Ethical Moment; Ethics and Economy in Public Administration* in Rendtorff, J. D., (ed.) *Power and Principle in the Market Place. On Ethics and Economics*. Burlington: Ashgate Publishing Company, 2010, 205-30.

<sup>10</sup> Flecker & Holtgrewe 2007, *op. cit.* See also [www.worksproject.be](http://www.worksproject.be). The References of Works used in this article can also be downloaded from the website.

working conditions, for example in terms of greater work intensity, standardization, supervision and greater demands. The restructuring of value chains thereby places emphasis on the interplay between the inside and the outside of public companies.

The work starts by presenting a theoretical framework, focusing on the conceptualisation of globalization and value chains in relation to the public sector. An analysis is then provided of empirical cases from different European countries in which we conceptualise the changes in public service in Europe in the form of value chain restructuring. A discussion follows of the impacts of the restructuring processes on work, employment conditions, work identity and job security. The last section of the paper highlights the common characteristics of the new public customer-oriented companies, along with how these characteristics can help us understand the changes taking place in working conditions and working life.

## 2. Theoretical Framework

### *2.1 Globalization: The Fragmentation of Public Responsibility and Governance*

The perspective adopted in this paper is based on Bauman's<sup>11</sup> perception of globalization as 'globalisation' and 'deregulation'. In line with the arguments made by Robertson<sup>12</sup> and others, Bauman considers globalization as a kind of "compression of the world" understood as an "intensification of consciousness of the world as a whole"<sup>13</sup>. Globalization is characterised by the establishment of social processes which create greater mutual supranational dependence, whereby individual and national factors relate to a global context. Globalization thus refers to closer and faster social relationships and processes, which increasingly create awareness of a supranational level and make this level fundamental for the local social reality<sup>14</sup>. For example, in the Danish debate on the public

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<sup>11</sup> Bauman, Z. *Globalization: The Human Consequences*, New York: Columbia University Press, 1998a.

<sup>12</sup> Robertson, R. *Globalization: Social Theory and Global Culture*. London: Sage, 1992.

<sup>13</sup> Davis, M. *Bauman on Globalisation – The Human Consequences of a Liquid World*, Hviid Jacobsen, M. & Poder, P. (eds.) *The Sociology of Zygmunt Bauman – Challenges and Critique*, Aldershot, Ashgate, 2008, 137-155.

<sup>14</sup> Davis 2008, *op. cit.*



sector, reference is often made to the impact of the Danish tax burden and the size of the public sector in competing with other countries<sup>15</sup>.

Bauman makes two particularly relevant points in this regard. First, he focuses on global “restratification” processes. He insists that there is a downside to globalization which means that core principles such as flexibility, mobility and free movement only characterise globality for some, while leading to stability, rigidity and lack of mobility for others. This downside results in the social polarisation of influence and opportunities, which Bauman terms ‘the mobility/rigidity dichotomy for glocalisation’.

Second, Bauman suggests that a fundamental shift takes place in the distribution of power and responsibility between local and national actors on the one hand, and the “totality of global affairs” on the other hand:

To put it in a nutshell: no one seems to be now in control. Worse still, it is not clear what ‘being in control’ could, under the circumstances, be like. As before, all ordering is local and issue-oriented, but there is no locality that could pronounce for humankind as a whole, or an issue that could stand up for the totality of global affairs.<sup>16</sup>

The analytical framework begins with the foregoing downside mechanisms of globalization, where a focus on flexibility and mobility is combined with an emphasis on new social polarisation and the regulation vacuum which become particularly significant in the public sector, where the citizen’s equal rights is challenged by increasing fragmentation<sup>17</sup>. Thus globalization in public service viewed in terms of increasing organizational fragmentation makes it difficult to identify who is responsible for regulating both working conditions and the work environment, and what such regulation and control look like.

## *2.2 Global Marketization and Consumer Orientation*

Consumer orientation is a key development, both in terms of the global slide from a work regime to a consumer regime<sup>18</sup>, and the change within

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<sup>15</sup> Pedersen 2010a, *op.cit.* Pedersen 2010b, *op. cit.*

<sup>16</sup> Bauman quoted in Davis 2008: 139, *op. cit.*

<sup>17</sup> Clarke 2010, *op.cit.*

<sup>18</sup> Bauman, Z. *Work, Consumerism and the New Poor*, Buckingham: Open University Press, 1998b. Du Gay, P. *Consumption and Identity at Work*, London, Sage, 1996. Sturdy, A. *Servicing Societies? - Colonization, Control, Contradiction and Contestation*, in Sturdy, A., Grugulis,

the welfare state, where citizens are increasingly assigned the role of consumers<sup>19</sup>.

Specifically for service work, Sturdy<sup>20</sup> highlights how consumer discourse tends to colonise working life. This development raises questions regarding the definition of the service content and boundaries (consumers, employees or management), the conditions for service work, and the impact on society and individuals. According to Sturdy, the development of a more consumer-oriented welfare and service regime has far-reaching implications for working and social life. This is due to new and enhanced forms of control which lead to fundamental changes to the conditions for social relationships and work content. These changes have both positive and negative elements. They increase the strain on employees, but they can also inspire the development of greater communication and social contact with consumers<sup>21</sup>. Korczynski<sup>22</sup> applies the same critical perspective to consumer-oriented service work, and positions himself between two divergent research traditions.

The first tradition, which Korczynski terms a “win-win-win” perspective, is basically a human resource management perspective where user satisfaction is linked to employee involvement. Within this perspective, employee satisfaction can be improved by delegating greater responsibility and a move away from Taylorism. Employee satisfaction is considered a precondition for consumer satisfaction and hence for retaining customers<sup>23</sup>.

The second perspective provides a more pessimistic picture and considers the demand for service work in the new consumer regime as pushing employees beyond their limits. Two problems are identified. The first concerns new emotional labour requirements where employees are

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I., Willmott, H. (eds.): *Customer Service: Empowerment and Entrapment*, Basingstoke, Palgrave, 2001.

<sup>19</sup> Needham, C. *Citizen-consumers. New Labour's Marketplace Democracy*. London, Catalyst working paper, 2003. Hohnen, P., Hjort, T. Citizens-as-consumers. A Discussion of New Emergent Forms of Marginalisation in the Nordic Welfare states, *European Journal of Social Security*, 11, 3, 2009, 271-291. Clarke, J., Newman, J., Smith, N., Vilder, E., Westmarland, L. *Creating Citizen-Consumers – Changing Publics and Changing Public Services*, London, Sage Publications, 2007.

<sup>20</sup> Sturdy, 2001, *op.cit.*

<sup>21</sup> *Ibid.*: 2.

<sup>22</sup> Korczynski, M. *The Contradictions of Service Work: Call Centre as Customer-oriented Bureaucracy*, Sturdy, A., Grugulis, I., Willmott, H. (eds.) (2001) *Customer Service: Empowerment and Entrapment*, Basingstoke, Palgrave, 2001.

<sup>23</sup> *Ibid.*: 80.

increasingly forced to have particular emotions<sup>24</sup>. The second refers to new organizational forms which cause a re-establishment of a rigid rationalisation logic with direct or indirect forms of standardization, resulting in what Ritzer<sup>25</sup> has dubbed 'McJobs' where service jobs are being Taylorized. Korczynski attempts to develop a perspective which takes into account Ritzer and Hochschild's critique of the rationality logic and increased demands on personal performance, as well as HRM discourse which maintains that consideration for the consumer also encourages recognition and the transfer of responsibility to employees. , However, the point is that these are competing discourses, and hence the inherent dilemmas in what he calls "consumer bureaucracy" cannot be addressed.

Building on Korczynski<sup>26</sup>, a number of characteristics appear particularly relevant in order to understand the impact of globalization in service work:

- Intangibility (production takes place in the context of and cannot be separated from the meeting between the service provider and the service recipient);
- Transience (the service is integrated into a social relationship between the supplier and the recipient of the service resulting in a temporary product);
- Variability (consumer's wishes and actions cannot be predicted, and the relationship between the service supplier and recipient involves an element of unpredictability);
- Inseparability (the production of the service is transient and linked to the social interaction between the supplier and consumer of the service. This means that the consumer acts as a co-producer);

These special characteristics of service work limit the possibilities for the restructuring of public service. The consequence is that a part of the service work will remain local, because it is necessary to have a close connection with local citizens. Citizens, as co-producers of the service, become part of the value chain and must therefore be involved in close cooperation. Traditional outsourcing to China is difficult or impossible, however outsourcing to a local unit of an international service provider

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<sup>24</sup> Hochschild, A. R. *The Managed Heart*, Berkeley, CA: University of California Press, 1983.

<sup>25</sup> Ritzer, G. *The McDonaldisation of Society*. SAGE Publications, Inc. Thousand Oaks, 1993.

<sup>26</sup> Korczynski, M. *Human Resource Management in Service Work*, Palgrave, Basingstoke, 2002.

like ISS or Siemens Business Service is certainly possible, and some back office functions could also be prone for outsourcing across borders. However, restructuring in the public sector is also influenced by political interests and the responsibility of public authorities which may constrain such possibilities.

### *2.3 Globalization of Work through a Focus on Restructuring Value Chains*

Bauman's theoretical perception of globalization and Korczynski's observations about consumer orientation entail that the development and regulation of working conditions will be influenced by supranational conditions. Working conditions at individual workplaces in the public sector must therefore be analysed taking account of external factors, such as the position of the company in relation to other companies and actors, and the control imposed by globalized markets and discourses (de facto and imaginary). Our analysis therefore focuses on public sector value chains in the light of global structural changes in order to develop an understanding of the influence of relationships and supranational factors. We build on Huws' definition of value chains<sup>27</sup>:

The Value chain describes each step in the process required to produce a final product or service. The word 'value' in the phrase 'value chain' refers to added value. Each step in the value chain involves receiving inputs, processing them, and then passing them on to the next unit in the chain, with value being added in the process. Separate units of the value chain may be within the same company (in-house) or in different ones (outsourced). Similarly they may be on the same site, or in another location. The term 'value chain' was originally coined to describe the increasingly complex division of labour in the manufacture of goods but it is now increasingly applicable to services, both public and private.

This notion of value chains is relevant for the public sector as it can be used to highlight some of the characteristics of restructuring. In Public Administration it could, for example, separate citizen services into an independent unit with its own budget and management, which provides services to a government authority and can independently enter into other types of contractual working arrangements, for example with IT departments and other expert units. Restructuring can be carried out across regions (and occasionally countries) and/or more locally across administrative units. This perspective identifies structural processes, either

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<sup>27</sup> Huws 2008, *op. cit.*: 68-69.

spatial, contractual or administrative, which are involved in such changes and it sheds light on how globalization, in the form of changed relational contexts, has direct and indirect impacts on the working conditions for public employees.

### 3. Restructuring in the Public Sector: Case Studies

The data pool used here has been drawn from the European research project “Work Organization and Restructuring in the Knowledge Society”, *WORKS*, which has collected and analysed the material on the restructuring of value chains and the impact on issues such as flexibility, job security, skills development, marginalisation, industrial relations, and the working environment<sup>28</sup>.

A total of 58 case studies of value chain restructuring were carried out under the *WORKS* project in 2006-2007, spread across 14 different countries (Austria, Belgium, Bulgaria, France, Germany, Greece, Hungary, Italy, the Netherlands, Norway, Portugal, Sweden and Denmark). They covered a number of selected work functions in the manufacturing industry and services. The case studies were selected in order to identify typical examples of restructuring in the countries – and care was taken to select countries representative of the various types of welfare states in Europe<sup>29</sup>. The case studies are based on qualitative interviews with key actors (management, union representatives, HR practitioners, etc.) and rank-and-file employees. They were carried out using joint interview guides and insurance of comparability across countries through a number of international workshops<sup>30</sup>.

This article draws on empirical data from 12 case studies, all focusing on the restructuring of public service. In this context, public service covers basic and general social services to citizens for which the welfare state has traditionally been responsible, including security (e.g. the police), infrastructure (e.g. roads and railway operations), communication (e.g.

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<sup>28</sup> Flecker & Holtgrewe, 2007, *op. cit.* Valenduc, G., Vendramin, P., Krings, B., Nierling, L. *How Restructuring is Changing Occupations. Case Study Evidence from Knowledge-intensive, Manufacturing and Service Occupations*, Works final report WP 11, <http://www.ftu-namur.org/fichiers/WORKS-D11-final.pdf>, 2007.

<sup>29</sup> Esping-Andersen, G. *Welfare States in Transition. Social Security in the New Global Economy*, London: Sage, 1996. Esping-Andersen, G. *The Three Worlds of Welfare Capitalism*, Polity Press: Cambridge, 1990.

<sup>30</sup> A further description of methods and results is available at [www.worksproject.be](http://www.worksproject.be).

postal services and telecommunications) and Public Administration (e.g. social centres and housing). Other elements of public service, such as health and education, have not been covered by the study.

The analysis consisted of two steps. The first step covered a broad presentation of the key characteristics of the restructuring of public sector value chains, based on empirical data from all 12 case studies. The second step afforded a detailed examination of the seven cases related to restructuring of Public Administration and the impact on working conditions. These case studies in Public Administration cover public housing (Austria), driver's licence applications and renewals (Italy), regional administration (Belgium), police (Sweden), two local authorities (Great Britain) and unemployment administration (Bulgaria and Hungary).

### *3.1 Restructuring Value Chains in Public Service*

Restructuring can take a variety of forms, although some common characteristics can be identified. Among the most important ones is the outsourcing of services to new operators. A typical example can be seen in the box below summarising the restructuring of the Swedish postal service.

#### **The Restructuring of the Swedish Postal Service**

The distribution of mail has been provided by the Swedish postal service, as a government monopoly, for several centuries. In the 1990s, the Swedish postal market was opened to competition in mail distribution. The postal service was also transformed into a government owned limited company which could operate under market conditions, rather than being regulated by the rules applying to government owned institutions. The result was increased pressure on costs and efficiency and major reductions in the number of staff and post offices. The pressure to provide cheaper service resulted in outsourcing to grocery stores and petrol stations, where customer contact is mostly provided by low skilled labour. There are now approximately 3,000 'one-stop shops in grocery stores', petrol stations and convenience stores. The postal sector has also been impacted by developments in IT technology, such as e-trade and associated shipment. The restructuring of the Swedish



postal service has led to greater competition and a change in focus within the organizations from service to sales<sup>31</sup>.

The change in the Swedish postal service is a good example of the restructuring processes within general public service which have taken place across EU countries. There are similar examples from railway operations (Greece and Germany), the police (Sweden), driver's licence and passport administration (Italy), employment opportunities (Bulgaria and Hungary), telecommunications (the Netherlands), as well as direct citizen contact (administration of public housing in Austria and municipal/regional citizen service in Great Britain).

One common feature of the changes affecting the public services – reflected in postal services as well as in other areas of Public Administration such as housing, police work or citizens' services – has been that the restructuring of value chains has taken place to streamline the welfare state. This streamlining has looked after rationalisation possibilities but also after possibilities for improved services to citizens<sup>32</sup>:

The choice on the part of the ministry to outsource part of the customer care service to a call centre, reachable through a toll free number, was not exclusively due, as in other Public Administrations, to cost saving, but was, above all, dictated by the need to streamline procedures so as to lift the quality of the service offered, in view of the fact that relations to citizens represent a value that must be handled carefully with professional skill as well as attention and quality. Thus outsourcing has borne a deeper impact on efficiency rather than costs<sup>33</sup>.

The restructuring of public service has also been characterised by a fragmentation process, whereby a number of smaller separate units are created which provide services to one another. Due to the special nature of service work, there are also limits to the geographical scope of the value chains in this area:

[...] the restructuring of the value chain did not lead to instances of long-distance- or telework. Several factors have prevented the multiplication of this form of work: the additional cost of redirecting calls to the teleworker, the predominantly face-to-face monitoring/control of workers, the difficulty in

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<sup>31</sup> Tengblad, P. & Sternälv, P. *Swedish Case Study on Services of General Interest. Strategies for Working with Customers in the Swedish Post Ltd. Organisational Case Study on Customer Service in the Services of General Interest – Sweden*, Internal Working Paper, WORKS-Project, (2007).

<sup>32</sup> Di Nunzio et al. 2009, *op. cit.*

<sup>33</sup> Piersanti, M. 'DVL-A'. *Organisational Case Study on Customer Service in the Public Sector – Italia*, Internal Working Paper, WORKS-project, 2007.

managing the complex network of relations that is generated between the parent company and workers and between workers themselves.”<sup>34</sup>

New technology is a significant driver in the restructuring of public services. This applies particularly to the establishment of Web-based information and communication channels. They offer new options for interacting with citizens involving them in the provision of services through the direct collection and submission of information. The development of IT-based solutions in restructuring is thereby also supporting a more general move towards consumer orientation and participation in public service<sup>35</sup>.

Even though these common characteristics dominate the development of new public service units and value chains across European countries, there are differences in the specific solutions employed. There are examples of outsourcing of customer service to private operators, as in the Swedish postal service, but there are also examples of public-private partnerships, including various models for supervising outsourced in-house subsidiaries/departments. The Greek postal service and the German railway system have introduced subsidiaries which are still owned by the parent company, and there are other examples of restructuring which have not involved outsourcing to private enterprises, but rather the creation of various forms of internal externalised units. For example, the establishment of employment opportunity offices in Hungary and Bulgaria, and regional/local citizen information centres in Belgium. However, the overall trend within public service is that the restructuring processes are closely tied to marketization, even though this can take place without necessarily involving privatization. An example is represented by those organizations moving from general supply companies to several individual, delimited, government-owned companies, with each one taking care of specific elements of the value chain. Irrespective of which model is used, the overall trend is therefore towards a general extension of the value chains<sup>36</sup>.

<sup>34</sup> *Ibid.*: 7

<sup>35</sup> Flecker, J. ‘Introduction’ in Flecker, Jörgen., Holtgrewe, Ursula. *Restructuring Across Value Chains – Changes in Work and Employment Case Study Evidence from the Clothing, Food, IT and Public Sector*. Deliverable 10.1, WP 10 Organisational Case Studies – Synthesis Report, 2007.

<sup>36</sup> Dunkel, W., Schönauer, A. *Reorganising the Front Line. Customer Service in the Public Sector*, Flecker & Holtgrewe, *Restructuring Across Value Chains – Changes in Work and Employment. Case Study Evidence from the Clothing, Food, IT and Public Sector*. Deliverable 10.1, WP 10 Organisational Case Studies – Synthesis Report, 2009.

In order to present a more precise picture of the impact of restructuring on the regulation of one's working conditions and working life, we will look in more detail at changes within a selected area: citizen service within Public Administration.

### *3.2 The Impact of Restructuring on Working Conditions in Public Administration*

Citizen service in connection with Public Administration has been widely subject to restructuring in the European welfare states. The value chains in this area are more specifically related to information:

As far as services to citizens are concerned, value chain practically means information chain, i.e. from designing and formatting information to citizens, making it affordable and usable, organising feedback or dialogue, integrating information flows from front office to back office and vice versa.<sup>37</sup>

Restructuring in public service has primarily focused on the division between back-office and front-office work – which traditionally makes a distinction between general customer contact and specialised back-office duties. Back-office employees are assigned more technical tasks from front-office personnel. An important reason for this division has been an increasing pressure from citizens and widespread difficulties in providing better service in line with available resources.

The solution has been to organise direct citizen/customer contact in the form of 'one-stop shops'. For example, the Swedish police have established contact centres to receive non-urgent telephone calls which can be handled by staff without police training. The aim has been to free up labour resources with special police training and provide easier access between citizens and the police<sup>38</sup>. A similar example is the establishment of citizen contact centres for property administration in the Walloon regional administration in Belgium. In order to make information more accessible to citizens and to shield back-office employees, an integrated contact system has been set up based on the Internet, telephone and walk-in contact points<sup>39</sup>. Front-office personnel have experienced the most

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<sup>37</sup> Devos, V., Valenduc, G. *EWA – Restructuring of Customer Services in Regional Administration in Belgium. Organisational Case Study on Customer Service in the Public Sector – Belgium*, Internal Working Paper, WORKS-Project, 2007:7.

<sup>38</sup> Tengblad, P. *Customer Relations in The Public Sector – The Police Contact Centre. Organisational Case Study on Customer Service in the Public Sector – Sweden*, Internal Working Paper, WORKS-Project, 2007.

<sup>39</sup> Devos & Valenduc 2007, *op. cit.*

significant changes in working conditions due to outsourcing and greater strain in their work.

The work of operators at the call centre is very stressful, between a phone call and another there are on an average five seconds... and this rhythm is kept up for eight straight hours. This same operation is repeated hundreds of time a day, every day (with each operator receiving an average of 140 calls)<sup>40</sup>.

Employment has generally become less secure. Greater demands are often placed on the work, including longer and less flexible working hours, and more numerous and demanding tasks, such as increased customer contact with heightened emotional demands. Included in this are higher work pressure and higher performance targets. Standardization and more routine work with a risk of deskilling are widespread phenomena, too. This is followed by greater supervision and performance monitoring. Not surprisingly, the negative consequences are particularly evident where outsourcing has occurred, such as call centres outsourced to private companies. However, the increasing levels of customer contact are not seen as purely negative, as social contact can also lead to meaningful work, and customer contact can permit the use of social skills, therefore offering new career opportunities. Accordingly, as suggested by Korczynski<sup>41</sup> both possible negative and positive consequences of restructuring of service work can be identified. Yet the overall picture is dominated by an increasing number of jobs with an undesirable working context and less job security for front-office personnel who are often women with limited or no formal vocational education<sup>42</sup>.

Furthermore, restructuring involves a more complex organization and a division of responsibility among the units, making the value chain for Public Administration longer and more complex. In all the case studies, the demands on each supplier's task are formulated and enforced by people external to the unit. In the case of outsourced work functions, the requirements are included in service-level agreements concluded between the public parent company and the new private unit. These rarely contain requirements concerning one's working conditions. In the case of internal externalization, requirements can be more diffusely formulated. In both cases, the process can lead to unintended conflicting pressures which

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<sup>40</sup> Piersanti 2007, *op. cit.*: female respondent quoted 12.

<sup>41</sup> Korczynski, 2001, *op. cit.*

<sup>42</sup> Di Nunzio et al. 2009, *op. cit.*

cannot necessarily be resolved by management within a given unit, as in the Belgian case of external internalization:

The work content is subject to several pressures, from the government and from the “clients” [...] EWA [administrative unit responsible for e-government] has to adjust its work programme to the agenda of policy initiatives, which is not always compatible with the “technical” agenda of project development and implementation. This “mismatch” results in increasing workload for EWA workers [...] The pressure from the “client” does not come from the citizens themselves, but from the various departments that are the users of the applications and services designed by EWA<sup>43</sup>.

Such inconsistencies in the division of responsibility and influence have both direct and indirect impacts on working conditions. None of the actors focus on how working conditions relate to externally formulated requirements, or which of the respective actors bears ultimate responsibility for conditions of work. In this way, restructuring can embody Bauman's deregulation concerns where no one is responsible, even though in principle each employer has a legal responsibility with regard to his/her working conditions.

Although the restructuring of value chains share many characteristics, numerous differences might exist, and these differences have a major impact on people's working conditions. In the following section, two cases are outlined as examples of restructuring producing very different outcomes.

#### *Private Outsourcing of Citizen Services in Vienna*

The first case, *Citylife*<sup>44</sup> is an example of restructuring of the value chain in the administration of public housing in Vienna (the municipality owns 220,000 homes). Residents in these homes require information and contact opportunities. Prior to restructuring, contact with tenants was organized via central administration which took care of all enquiries. A process of decentralization was initiated in 2000 when staff was relocated to nine new walk-in centres. As part of a parallel centralization process, a number of local property administrations were physically relocated to the nine contact centres. Central administration was converted into a

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<sup>43</sup> Devos & Valenduc, 2007, *op. cit.*:17

<sup>44</sup> Schönaauer A. *Citylife – Property Management for Council Housing. Organisational Case Study on Customer Service in the Public Sector – Austria*, Internal Working Paper, WORKS-Project, 2007.

municipality-owned company (*Citylife Enterprise*) with 630 employees in 2000. Initially, the nine contact centres were responsible for all contact with tenants – by telephone, face-to-face, or via the Internet. In 2002, telephone contact was outsourced to the *Citylife Customer Service Company* due to tenant dissatisfaction. However, the *Citylife Customer Service Company* did not take responsibility for telephone customer contact itself. It called for tenders, and the winner was *Consortium Multicall* – a private company. *Citylife Enterprise* – the original parent company – now manages the quality contract for all suppliers, and thereby has responsibility for the total value chain. *Citylife Customer Service Company* owns the service number and the electronic equipment used by the private employees, and it is this subsidiary which bears practical responsibility for fulfilling the contract with *Citylife Enterprise*. Under the contract, 80% of all calls must be answered within 20 seconds, and the number of lost calls must not exceed 10%. The call centre is required to record the number of calls, the number of messages referred to the service centres, and the most frequently asked questions. Yet it is not *Citylife Customer Service Company* which performs this service, but *Consortium Multicall*.

The restructuring process has had a number of effects on employees. Privately employed call centre workers are hired on temporary contracts. They work long and irregular hours, and each employee's performance is recorded and monitored through electronic traffic lights (red if an enquiry has waited too long) and test calls. Higher workloads have been reported and quality is defined only by user satisfaction. The administrative separation of the call centres from the service centres has meant that call centre employees do not have access to the career paths available in the walk-in centres. Although working conditions are better in the remaining contact centres, it appears that the work patterns, in terms of standardization and control, are rubbing off on the rest of public employees. Through cooperation with the call centres, which refer enquiries to the technical staff in the contact centres, this work is becoming standardised, and employees' supervision in the contact centres is being increased. Due to quality problems, it should be noted that *Citylife Customer Service Company* has been dissatisfied with the poor employment conditions for call centre employees. They have therefore put pressure on the private supplier to begin offering permanent positions in the call centres.



*Public/Private Citizen Service Partnerships in Great Britain*

This case<sup>45</sup> concerns the restructuring of the local government citizen services through the establishment of a joint-venture committee (*Customer*) consisting of two local authorities (*County Council* and *Mid District*) and a private multinational IT service provider (*Global*). The aim was to create a single, efficient contact point for citizens, based on the assumption that they do not understand and do not want to have to think about which government authority their given problem relates to. The establishment of an independent and unified contact system was intended to allow citizens to use the same access point for any enquiries to the authorities – both local and regional – across a range of areas. In practice, the restructuring of the citizen service was implemented by amalgamating a number of previously separate departments into a limited number of new centres located in two cities. These new units were intended to serve as one-stop service units through two different types of contact unit – service centres (call centres and Web access), and a number of walk-in contact points for personal contact. A number of HR, accounting and IT functions were also moved to *Customer*.

The relocated staff was transferred to the new units without changing their status as public employees of *County Council* or *Mid district*. The form of employment was therefore unchanged. The opening hours were extended to make contact with citizens more flexible. This involved the abolition of flex time (which employees consider as a step backwards and archaic), as well as occasional Saturday work. The increased flexibility for citizens has therefore led to reduced flexibility for employees. The quality of service is managed through service standard agreements, as in the Austrian case study. Requirements include that employees must spend 80% of their working hours over the phone, that 5½ minutes per call are assigned on average, and that no more than four employees may be away from the phones at any time. *Customer* must pay penalties to *City Councils*, if certain quality goals are not met. Yet in contrast to the employees at *Citylife*, those at *Customer* do not find it difficult to achieve these goals:

I don't stress about it, I think that's something for the senior management. Yeah, I think it's the levels above us who have to worry. We do what we can to answer calls when we can.<sup>46</sup>

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<sup>45</sup> Dahlmann, S. *CUSTOMER – Organisational Case Study on Customer Service in the Public Sector – UK*, Internal Working Paper, WORKS-Project, 2007.

<sup>46</sup> Dahlmann 2007, *op. cit.*: A Service Centre Employee, *Customer*.

Employees feel they have gained new skills and broadened their knowledge, as they now deal with a wide range of enquiries. They experience a relatively high degree of freedom to meet the needs of customers and take their time to attend to the various cases. Although working hours are formally inflexible, there is a certain degree of flexibility in practice. Employees may choose to work either at the service centres or walk-in centres. There is also some flexibility in choosing working hours. In other words, it has been possible to streamline operations without making the work too routine or depriving employees of influence in their work. Apart from more fixed and inflexible working hours, it appears that employees see restructuring in a relatively positive light. Employment terms have not become less secure, the requirements are not so strict that they are unachievable, and it is the responsibility of leaders to be concerned with performance goals (see the quotation above). However, it should be noted that management at *Customer* do not believe the company will continue after the ten-year period unless a more efficient organization is provided. In other words, this solution has given priority to employees' working life, but may not be economically sustainable in the long term.

### *Comparison*

These two cases illustrate that the impacts on employees can vary, depending on the specific nature of restructuring. In Austria, the value chain has become significantly longer. There has been a transition from single organization to three links: a parent company, a subsidiary, and an outsourced call centre service awarded to the lowest bidder. Supervisory functions have been introduced between the links, with close monitoring in particular of call centre employees who have the closest contact with citizens. One important explanation is the expectation that call centre employees – with low wages and casual employment – have no special motivation to provide good service. In order to deliver the promised public service, the government-owned company has become completely dependent on the private supplier, who has problems ensuring sufficiently high quality. The government-owned company has therefore begun to set working conditions for call centre employees, which is actually in conflict with the original idea of outsourcing. However, it is a trend which has been seen in earlier studies in the area of service. Both private and government-owned service providers are completely dependent on the

service delivered by their suppliers, and therefore begin to meddle in working conditions in order to ensure sufficient service quality<sup>47</sup>.

The British case has been organised in a way that has a more positive impact on employees. Three factors in particular are significant. Firstly, a partnership was entered into with a private company. In other words, the work was not simply tendered out to the lowest bidder. Secondly, an organizational solution was chosen based on broad skills among employees, such that they experience greater content in the work. Thirdly, the original government employment status was retained, providing security to employees. This also makes it possible to maintain the high level of skills typically associated with many professional public service jobs. The problem of lack of motivation to provide good service therefore appears to be limited. Conversely, the same degree of cost reduction may not be achieved as in case of direct outsourcing and a contract awarded on price.

#### 4. Discussion

The empirical analysis highlights a number of shared structural changes in European public services. There is a surprisingly high degree of similarity between the private and public services when it comes to the dynamics of globalisation. Outsourcing, marketization and increasing organizational fragmentation are common to both the private and the public sector. The main difference seems to be the lack of freedom for public services to move activities in the supply chain offshore.

One of the most significant developments – when focusing on the working conditions in public services – is the effect of the increase in the length of the value chains. This development is taking place in parallel with extensive marketization, whereby large elements of public infrastructure (such as railways and the postal service) are becoming government-owned companies operating on market conditions. Fragmentation is also occurring as smaller units are established not necessarily with direct administrative, financial or social connections.

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<sup>47</sup> Hasle, P. Outsourcing and Employer Responsibility - A Case Study of Occupational Health and Safety in the Danish Public Transport Sector, *Relations Industrielles-Industrial Relations*, vol. 62, 1, 2007, 96-117. Rubery, J., Earnshaw, J., Marchington, M. *Blurring the Boundaries to the Employment Relationship: From Single to Multi-Employer Relationship*, in *Fragmenting Work - Blurring Organizational Boundaries and Disordering Hierarchies*, M. Marchington et al., eds., Oxford University Press, Oxford, 2005, 63-88.

These extended value chains often involve a mix of government where private, public and semi-public units are formally connected through contractual obligations and not via overlapping ownership. However, this does not mean that individual links do not influence one another. Standardized services and quality goals developed within one unit have a tendency to create the need for similar or matching initiatives in others. Outsourced parts of the value chain which are usually characterized by higher work intensity tend to influence the organization and intensity of work in the remaining parts. This is especially the case when private companies are involved.

In line with Korczynski's<sup>48</sup> concept of consumer-oriented bureaucracy and the NPM approach, development does not necessarily lead to more relaxed forms of management and greater freedom for employees, but rather to greater flexibility in meeting the needs of citizens. For employees this results in most cases in centralization and Taylorization in the form of increased supervision, standardization and strict, centrally defined performance and quality goals. It should therefore be noted that the increased consumer orientation serves both as a driver for the restructuring process in the public sector (specifically by being the key motive for reorganizing citizen contact) and as a consequence, as the new consumer focused organization places new demands on employees. In both the public and private spheres of the value chain, this is expressed in terms of longer/more irregular working hours, greater supervision and generally increased workloads (volume of work). Finally, the traditional career path in the bureaucratic organization is often diminished or completely blocked because the given unit only performs a single function, as is the case, for example, in isolated call centre units. Career paths in the new value chains are therefore across, rather than within, individual organizations<sup>49</sup>. Especially when involving private companies, there are further deteriorations in terms of employment conditions becoming less secure (often shifting from permanent positions to casual ones). In addition, there is a trend towards standardization and automation which frequently leads to more routine work, and wages are generally reduced.

However, restructuring does not always come along with a deterioration of working conditions. The British example shows that it is possible to secure the existing conditions, and sometimes the restructuring itself may

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<sup>48</sup> Korczynski, 2001, *op. cit.*

<sup>49</sup> Valenduc et. al, 2007, *op. cit.*

open up new possibilities for the positive development of working conditions. As Korczynski<sup>50</sup> pointed out greater citizen contact may increase job satisfaction. It may for instance happen in cases where centralization of formerly scattered functions leads to economies of scale and a demand for higher qualifications and more specialized jobs. One example of this was found in the new police contact centres in Sweden where new administrative jobs were being created while relieving police staff from answering telephone calls, which was not considered a core activity in police work.

The data for the article was collected just before the onset of the economic crisis. The problematic consequences in terms of working conditions identified in this analysis could therefore have deteriorated even further. Cuts in public sector budgets have been reported all over Europe, and it is likely that tenders to private operators have been further reduced in price, and that the internal rationalization have continued. This aspect increases performance demands on employees and threatens the possibility of survival for models such as the British 'Customer' one.

Extending public sector value chains by inserting additional separate companies/units can be viewed as the kind of deregulation Bauman<sup>51</sup> regards as a significant problem in globalization. The combination of marketization and value chain extension, results in a regulation vacuum in which each unit only has the goal of fulfilling its part of the contract. Working conditions and working life are areas which receive little or no attention in the service contracts established between the various units. It is therefore difficult to attribute social responsibility in terms of skills development, well-being and avoiding work strain, especially if one considers these areas as more than simply a matter of complying with the minimum legal requirements.

Finally, the restructuring process depends on which part of the labour market is addressed. Public service, which is intangible, transient and inseparable from the consumption of the service, has certain inherent limitations and conditions. Citizen services cannot be relocated away from consumers, and the area also has major political significance as both consumers and producers (employees) are members of the society. This makes the public and private actors in the area closely linked, as the government authority continues to be assigned responsibility for supervising the other actors. Irrespective of the clear trend towards

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<sup>50</sup> Korczynski, 2001, *op. cit.*

<sup>51</sup> Bauman, 1998b, *op. cit.*

deregulation and fragmentation, there continues to be an expectation of governmental responsibility within this area. In several cases, local, regional or national governments have been pressured to intervene in response to poor working conditions and problematic operators. In some cases this has led the government authorities to re-internalise the working tasks – or consider doing so.

### **5. Working Conditions in the Public Sector: A Globalised Perspective**

An analytical focus on the ambiguities that are highlighted in the prevailing concepts of glocalisation and deregulation allows us to investigate possible dislocations between the various links in the value chain and the change in the division of responsibility at the local and global levels. Although one can view globalization as a “compression of the world” by establishing social processes which lead to greater mutual supranational dependence, the various units in the public sector are also increasingly fragmented and isolated under this view. This leads to a lack of transparency in the administrative and leadership responsibilities along the entire chain. The connections between the individual links also make it difficult to base regulation exclusively on local organizations. Globalization in terms of the need for trans-organizational production units operating under market conditions has become widespread within the public sector, while the associated fragmentation means that the individual links in the process are only responsible for themselves. The regulation of the whole chain and of the gaps between the units is therefore open, and there also appears to be a need for such regulation.

The emphasis on globalization thus prioritises the discrepancy between responsibility and influence by highlighting administrative, financial and political inconsistencies between the people who experience problems (at the local level), and the unit or structure which has influence on and responsibility for the organization of social processes which set the working conditions for the individual company in the public sector chain. It is difficult to place responsibility for the global elements in the chain, and even though there are still some expectations on national authorities, it is not certain that this can be achieved in practice, either because the necessary political will is not always present, or because the authorities do not have sufficient influence over intermediate links in the value chain.

This development is creating a legislative black hole. While regulation on working conditions varies in most European countries the general rule is



that the company where a person is hired is legally responsible for health and safety issues. In this new globalised scenario the company in the value chain might bear this responsibility, yet lacking control to do so. There is therefore also a need for more research on the effects of restructuring on public services, while concurrently searching for possibilities to regulate the adverse effects of restructuring.



# Adapt International Network



**ADAPT** is a non-profit organisation founded in 2000 by Prof. Marco Biagi with the aim of promoting studies and research in the field of labour law and industrial relations from an international and comparative perspective. Our purpose is to encourage and implement a new approach to academic research, by establishing ongoing relationships with other universities and advanced studies institutes, and promoting academic and scientific exchange programmes with enterprises, institutions, foundations and associations. In collaboration with DEAL – the Centre for International and Comparative Studies on Law, Economics, Environment and Work, the Marco Biagi Department of Economics, University of Modena and Reggio Emilia, ADAPT set up the International School of Higher Education in Labour and Industrial Relations, a centre of excellence which is accredited at an international level for research, study and postgraduate programmes in the area of industrial and labour relations. Further information at [www.adapt.it](http://www.adapt.it).

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